FARM MANAGEMENT DIVISION

NOVA SCOTIA DEPARTMENT
OF
AGRICULTURE AND MARKETING

INVESTMENT LIMITS

1982

SWINE

INVESTMENT LIMITS

- SWINE -

In estimating Investment or Borrowed Capital Limits for a swine farm business, it was necessary to make a number of assumptions. The assumptions made and the methodology used are set out below.

ASSUMPTIONS:

1. Gross Receipts - Gross Receipts are composed of Feeder Hog Sales. These were calculated on the basis of a 165 pound carcass with an average index of 104.1. Various price levels and production per sow combinations were used as outlined in the attached table.

2. Expenses - Expenses were estimated as outlined below. The 1981 Nova Scotia Swine Farm Business Summary for Farrow to Finish operations was used as a source document for estimating input costs. Current prices have been used in the calculations.

The following list of variable costs are based on marketing 16 feeder hogs per sow per year. For each one (1) hog per sow per year variation (increase or decrease) from this level, variable costs increased or decreased by $80.00 per sow per year.

Feed	$ 1,365.
Hired Labor	136.
Vet & Drugs	14.
Bedding & Supplies	13.
Utilities	54.
Marketing	25.
Miscellaneous	51.
Interest - Operating Credit @ 16.5%	68.
TOTAL VARIABLE COSTS	$ 1,726.

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3. Labor - Operator Labor was estimated to be $136.00 per sow per year. This amount represents unpaid operator labor and must be considered a minimum living allowance.

4. Formula - The following formula was then used to estimate a Residual to cover fixed costs.

GROSS RECEIPTS - EXPENSES - LABOR = RESIDUAL FOR FIXED COSTS

5. Fixed Costs - Fixed costs, by our definition, includes such cost items as Depreciation, Interest, Repairs, Taxes and Insurance. Annual Fixed Costs were estimated to be 17.6 percent of Initial Investment.

In arriving at the above fixed cost figure, the following assumptions were made:

(a) Depreciation was calculated in the normal manner on buildings, equipment and livestock at 5, 10 and 40 percent respectively.

(b) Interest was calculated in the usual manner on land, buildings and equipment at 10 percent and 16 percent on livestock.

(c) Repairs were estimated to be 2.5 percent on buildings and 5 percent on equipment.

(d) Taxes were estimated to be ½ of 1 percent on buildings and equipment.

(e) Insurance costs were estimated to be $14.75 per thousand on buildings and equipment and $2.40 per hundred on livestock. These ratios are for a three (3) year period.

Given the above information, Investment or Borrowed Capital Limits were estimated for various pork prices and hogs sold per sow per year combinations.

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These estimates are found in the Table on the following page.

LIMITATION

It should be noted that these figures are only estimations and are intended as a guide only. Care should be exercised in their use and interpretation.

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PRICE OF PORK	HOGS SOLD PER SOW PER YEAR									
PER CWT	13	14	15	16	17	18	19	20	21	22
75	299	577	854	1131	1409	1686	1964	2241	2518	2796
76	426	713	1001	1288	1575	1862	2149	2436	2723	3010
77	553	850	1147	1444	1741	2037	2335	2632	2929	3225
78	680	987	1294	1600	1907	2213	2521	2827	3134	3441
79	807	1123	1439	1756	2072	2389	2705	3021	3338	3654
80	934	1260	1586	1912	2238	2565	2891	3217	3543	3869
81	1061	1397	1733	2068	2405	2741	3076	3412	3748	4084
82	1188	1534	1879	2225	2571	2916	3262	3608	3954	4299
83	1314	1620	2172	2380	2736	3091	3447	3802	4158	4513
84	1441	1806	2318	2537	2902	3267	3632	3998	4363	4728
85	1568	1943	2465	2693	3068	3443	3818	4193	4568	4943
86	1695	2080	2611	2849	3234	3619	4005	4388	4773	5158
87	1822	2217	2757	3006	3400	3795	4189	4584	4978	5373
88	1949	2353	2904	3161	3566	3970	4374	4823	5183	5586
89	2076	2490	3050	3318	3732	4146	4560	4973	5388	5801
90	2203	2626	3197	3474	3898	4322	4745	5169	5593	6017
91	2330	2763	3342	3630	4064	4498	4931	5365	5798	6231
92	2456	2899	3489	3786	4229	4673	5116	5559	6002	6445
93	2583	3036	3489	3942	4395	4848	5301	5754	6208	6660
94	2710	3172	3636	4099	4561	5024	5487	5950	6413	6876
95	2837	3310	3782	4255	4728	5200	5673	6145	6618	7091
96	2963	3446	3928	4410	4893	5375	5857	6340	6822	7304
97	3091	3582	4074	4567	5059	5551	6043	6535	7027	7519
98	3218	3719	4221	4723	5225	5727	6229	6731	7232	7734
99	3344	3856	4368	4879	5391	5903	6414	6926	7438	7949
100	3472	3993	4514	5036	5557	6079	6600	7122	7643	8164